

# **MASTER OF BUSINESS ADMINISTRATION**

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## **WHAT IS THE ACADEMIC REVIEW PROCESS AND HOW IS IT WORKING AT THE NAVAL HOSPITAL CORPS SCHOOL?**

**Sonia I. Adams-Lieutenant, United States Navy**

**Master of Business Administration-June 2004**

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**Master of Business Administration-June 2004**

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This thesis analyzes the Academic Review Process (ARP) at the Hospital Corps "A" School, specifically focusing on how it is working and the criteria of the Academic Review Board. This was accomplished by analyzing a data spreadsheet of students that went through the ARP in 2003 and administering a random survey to a general student sample and a sample of instructors in January 2004. The study identified and analyzed the perceptions of students, instructor staff, and headquarters staff in the evaluation of the ARP, analyzed a student data set by cross-referencing the recommendation and final disposition results of those that entered the ARP, and developed a cost framework for the command and future researchers to help determine the effectiveness of the process. The report includes recommendations for improving the ARP.

**KEYWORDS:** Academic Review Process, Academic Review Board, Initial Skills Training, Feedback Mechanisms, Cost Analysis Framework, Informal Feedback, Attrition

## **TWO ESSAYS IN APPLIED ECONOMICS: PAY-AS-YOU-GO AUTO INSURANCE AND PRIVATIZED MILITARY HOUSING**

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This MBA project applies economic principles to assess changes affecting the automobile insurance industry, Pay-as-You-Drive (PAYD) and Pay-at-the-Pump (PATP). These changes could affect DoD in the future. The project also applies economic principles to Basic Allowance for Housing (BAH) and the Military Housing Privatization Initiative (MHPI) currently affecting DoD. Each program is explained; then selected economic principles are applied that may influence decision-making of major stakeholders. Both PAYD and PATP automobile insurance provide consumers with the option to pay an amount for insurance directly related to actual miles driven. The shift from a fixed to a variable cost for automobile insurance creates an incentive for consumers to drive less, thus saving on the total cost of automobile insurance.

BAH and MHPI together represent a shift in how DoD calculates and pays for housing of military service members. Congress and DoD are challenged with rebuilding military housing after decades of neglect.

**KEYWORDS:** Pay-as-You-Drive, PAYD, Pay-at-the-Pump, PATP, Basic Allowance for Housing, BAH, Military Housing Privatization Initiative, MHPI, Military Housing

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# **MASTER OF BUSINESS ADMINISTRATION**

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## **MILITARY BUSINESS SUCCESS**

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**Master of Business Administration-June 2004**

**Radostin P. Krastev-Captain, Bulgarian Army**

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This study is part of a larger research project designed to establish the metrics and variables for the success of the NAVAIR Small Business Innovation Research (SBIR) program. The main objective of this study is to identify the factors that promote success of firms participating in the SBIR program.

The team developed a plan to gather the data and evaluate two categories of participants in the SBIR program, specifically, the stakeholders that reached Phase III and those firms that do not continue to Phase II or Phase III. The main source used to identify the firms as potential participants was NAVAIR's SBIR program database. From this database, the team searched for potential interview participants, contacted the potential participants, and later conducted the interviews by phone.

A literature review was conducted for background and details on the essence of NAVAIR's SBIR program. Variables that could influence entrepreneurial success were identified and a theoretical model of success was built. A qualitative analysis was used to gather data and the results were obtained using the thematic approach. By analyzing the data, the team examines the success of NAVAIR's SBIR program from the perspective of the stakeholders and how they look at the different success criteria.

Finally, an analysis and results were generated based on the interviewees' perceptions and responses. This report concluded with the factors influencing the success of the firms in the SBIR. From the findings, several recommendations were made for the SBIR program and future research.

**KEYWORDS:** Small Business Innovation Research Program, SBIR, Naval Air System Command, NAVAIR, Entrepreneurial Business Success, Culture, Military Business Success

## **INTERNATIONAL COOPERATIVE RESEARCH AND DEVELOPMENT BETWEEN THE UNITED STATES AND FRANCE, GERMANY, AND THE UNITED KINGDOM**

**Orlando R. Aponte-Lieutenant Commander, Venezuelan Navy**

**Master of Business Administration-June 2004**

**Edward M. Cavins-Lieutenant, United States Navy**

**Master of Business Administration-June 2004**

**Georgios Ratsikas-Major, Hellenic Air Force**

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With defense budgets shrinking throughout the world and coalition forces facing interoperability issues while conducting asymmetric warfare in a post Cold-War environment, many nations are seeking ways to acquire economical weapon systems that are interoperable with allies and coalition members. One method of addressing these concerns is International Cooperative Research and Development (ICR&D). This MBA project will evaluate the current ICR&D process and make recommendations to enhance the ICR&D process by examining ICR&D between the U.S. and NATO members, France, Germany, and the United Kingdom. Case studies were used for comparisons in order to determine the advantages and concerns pertaining to ICR&D and to recommend appropriate ICR&D strategies.

**KEYWORDS:** International Cooperative Research and Development, Defense Industrial Base, Multiple Launch Rocket System, Medium Extended Air Defense System, Joint Strike Fighter

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# **MASTER OF BUSINESS ADMINISTRATION**

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## **A FINANCIAL ANALYSIS OF RETIREMENT PLAN INVESTMENT OPTIONS FOR MILITARY PERSONNEL**

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**Advisors: Raymond E. Franck, Graduate School of Business and Public Policy  
Nancy Roberts, Graduate School of Business and Public Policy**

This project analyzes retirement investment options currently available to all U.S. service members. Specifically, it reviews eligibility requirements to participate in several investment vehicles, including military pensions, the Uniformed Services Thrift Savings Plan (TSP), traditional and Roth IRA's, annuities and Certificates of Deposit (CD's). Analysis of three notional service member profiles reveals the projected returns with retirement investment options. The information in this report is intended for discussion and initial planning purposes only. It is designed to help service members understand a general course of action that can help meet retirement objectives.

**KEYWORDS:** Financial Analysis, Retirement Planning, Investment Options

## **SOCIAL RESPONSIBILITY AS A MANAGEMENT CONTROL SYSTEM**

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Master of Business Administration-June 2004**

**William B. Zabicki, Jr.-Lieutenant Commander, United States Navy  
Master of Business Administration-June 2004**

**Advisor: Mary Malina, Graduate School of Business and Public Policy  
Second Reader: Nicholas Dew, Graduate School of Business and Public Policy**

This thesis examines how businesses with social responsibility as part of their core strategy use related management control systems within Harvard Business School Professor Robert Simons' business strategy control model. The model explains the interaction of four control levers (Beliefs Systems, Boundary Systems, Interactive Control Systems, and Diagnostic Control Systems) to balance business strategy. Researchers examine how management control systems for social responsibility apply to each control lever both in theory and through the application of case examples. Finally, the model from corporate America is overlayed onto the Naval Postgraduate School to examine where socially responsible management control systems operate to control and adjust the overall socially responsible business strategies.

**KEYWORDS:** Social Responsibility, Management Control Systems, Strategy, Performance Measures

## **ECONOMIC SECURITY ENVIRONMENT AND IMPLEMENTATION OF PLANNING, PROGRAMMING, BUDGETING, EXECUTION (PPBE) SYSTEM IN GEORGIA**

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**Advisor: Raymond E. Franck, Graduate School of Business and Public Policy  
Second Reader: Jerry L. McCaffery, Graduate School of Business and Public Policy**

This thesis identifies and analyzes the main aspects and challenges faced by Georgia's National Security after regaining independence. Economic security is the initial subject of analysis. The thesis examines the Ministry of Defense as a public sector agency; the problems in government institutions resulting from the old Soviet mentality, and the lack of leadership skills in a democratic society which led to Georgia's political crisis and economic decline, a common problem in countries in transition; specifics about the distribution of financial power in an unstable economic environment decline and the negative effects of instability on defense reform processes, particularly in the implementation of the PPBE System.

The intent of this research is to explain the interrelationships of harmonious, sustainable growth and PPBE as an established system for transparency. The thesis provides a record and explanation of events that caused the current problems in defense planning and the budgeting process, as well as recommendations for future improvements to the PPBE system in the Georgian Armed Forces (GAF). The

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## MASTER OF BUSINESS ADMINISTRATION

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main focus is on policy formulation and budget execution; performance; accountability; fiscal discipline; and transparency. The conclusion summarizes the thesis, which presented the arguments for successful reform processes in the GAF, particularly in its medium-term budgeting cycle.

**KEYWORDS:** Georgia, State Budget, Georgian Armed Forces, GAF, Public Sector, Defense Policy, Defense Budget, PPBES, Medium-term Planning

### **INFLUENCES ON THE RETENTION OF RESIDENCY-TRAINED AND NON-RESIDENCY TRAINED NAVY DENTAL CORPS OFFICERS**

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Kathryn Kocher, Graduate School of Business and Public Policy**

This research project identifies key influences on the retention of Navy dental officers beyond their post-obligation period. Two sample groups were selected. The first sample group was selected from dental officers who did not receive a Navy sponsored residency program and the second group from dental officers who completed a Navy sponsored residency program. Logistic regression models were developed for the Non-Residency and Residency sample data obtained from Bureau of Medicine and Surgery Manpower Information System. The results revealed that accession source, dental specialty, and the number of operational tours as a percentage of total tours an officer completes during his or her obligation period were significant factors for retention of dental officers in the Non-Residency Model. Significant factors identified for the Residency Model were gender, age when first paid as a Navy Dentist, the number of years dental officers waited to begin a Navy-sponsored residency program, and dental specialty. Dental officers who receive their residency training between their sixth and eighth year of service are more likely to remain on active duty more than one year beyond their obligated service commitment than officers beginning residency programs earlier or later in their careers.

**KEYWORDS:** Retention, Navy Dental Corps Officers

### **ANALYSIS OF DISTRIBUTED DYNAMIC DECISION-MAKING (DDD) AND VIRTUAL DESIGN TEAM (VDT) SIMULATION TECHNIQUES TO DETERMINE FEASIBILITY OF USING VDT SIMULATION TO VALIDATE DDD MODELS**

**Eugen Constantin-Major, Romanian Ministry of Defense  
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**Nikolaos Papanagiotou-Major, Hellenic Air Force  
Master of Business Administration-June 2004**

**Sanjeev Singh-Lieutenant, Indian Navy  
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Today, military organizations are increasingly facing many asymmetric challenges requiring, among other capabilities, a high level of structural adaptation.

How can the structure be aligned with the mission to best achieve the planned objectives, while also dealing with highly uncertain scenarios and complex decisions of prioritization? What are the signals that may indicate the need for this adaptation?

Attempts to answer these questions have already been made (e.g., Entin, 1999; Hocevar, 2000; Hutchins, Hocevar, Kemple, Kleinman, Entin, and Serfaty, 2000; Levchuk, Merina, Levchuk, Pattipati, and Kleinman, 2001; Diedrich, Entin, Hutchins, Hocevar Rubineau, and MacMillan, 2003) and the results indicate that performance, in the cases where the structure and the mission are out of line, was characterized by increased communication, increased perceived workload, and degraded performance.

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## **MASTER OF BUSINESS ADMINISTRATION**

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The goal of this work was twofold: using a computational model, Virtual Design Team (VDT), first researchers wanted to understand how decision makers' behavior changes as an result of changes in organizational structure and mission context; and second, to validate the previous results of Adaptive Architectures for Command and Control (A2C2) experiments, proving that VDT can be a feasible alternative to empirical experimentation.

**KEYWORDS:** DDD, A2C2, VDT, Experiment 8, Organizational Behaviors, Simulation, Modeling, Functional Organizations, Divisional Organizations

### **THE VALUE OF LOGISTICS INFORMATION TO THE WARFIGHTER**

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**Master of Business Administration-June 2004**

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**Master of Business Administration-June 2004**

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**David R. Henderson, Graduate School of Business and Public Policy**

This MBA project analyzes the benefit of integrating Radio Frequency Identification (RFID) technology into the Department of Defense (DoD) supply chain management infrastructure. The project confirms the existence of an inherent value in logistics information used as a resource in DoD supply chain management applications. Also identified is the value of comprehensive and real time logistics information to the warfighter, and what he or she is willing to pay for that information. For example, the average value the warfighter is willing to pay on a deployed aircraft carrier is 2.46% of the carrier's average annual budget, or \$856,775. To determine these values, the project utilizes the results of a survey distributed to Naval Supply Corps Officers who were used as survey respondents due to their positioning as a logistics and financial choke-point between the man in the foxhole and his commanding officer. Using the value that supply officers are willing to pay for comprehensive and real time information, a value added figure is determined for the inclusion of RFID technology in the DoD supply chain management infrastructure. Continuing with the aircraft carrier example, the value added figure is \$11.28 per requisition.

**KEYWORDS:** Radio Frequency Identification Device Technology, RFID Technology, Supply Chain Management, Logistics, Supply, In Transit Visibility, ITV, Budget

### **BUILDING LINE OFFICERS INTO FINANCIAL MANAGERS: AN ANALYSIS OF THE PROCESS AND RECOMMENDATIONS FOR IMPROVEMENT**

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**Master of Business Administration-June 2004**

**Advisors: John Mutty, Graduate School of Business and Public Policy**

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With a FY 2004 budget of \$114 billion, there is no question that the Department of the Navy is involved in big business. If compared to the sales revenues of the Fortune 500, the Navy would rank sixth. After having weathered a prolonged drawdown through the 1990's, Naval leadership must recapitalize its aging legacy systems. The plan to accomplish this task is the Sea Enterprise component of the Navy's Sea Power 21 strategy. In order to reach these goals, the Chief of Naval Operations needs a cadre of business-savvy line officers who can properly allocate scarce resources. The core of this group is comprised of line officers who hold the Financial Management (FM) subspecialty designator. This thesis applies a managerial control system approach to the process of filling Financial Management billets with properly qualified FM line officers. Complex and multifaceted, the process contains three distinct components: promotion, assignment, and education. After examining levers of control that can be accessed by the FM community manager, this thesis identifies system weaknesses. Recommendations to solve the weaknesses include improved control and tailored incentives. The combination of control and incentives could improve the qualification rate of the Navy's FM officer positions and, ultimately, allow the Navy to meet its Sea Enterprise goals.

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# **MASTER OF BUSINESS ADMINISTRATION**

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**KEYWORDS:** Financial Management, Navy Officer Career Paths, FM Community Manager

## **RETURN ON INVESTMENT ANALYSIS FOR THE ALMOND BOARD OF CALIFORNIA**

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**Michael Georgiadis-Captain, Hellenic Air Force**

**Master of Business Administration-June 2004**

**Thomas Markopoulos, Major, Hellenic Air Force**

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**Kenneth H. Doerr, Graduate School of Business and Public Policy**

**Mary Malina, Graduate School of Business and Public Policy**

The purpose of this project is to complete the first phase of a broader research project concerning the exploration of the relationship between consumer attitudes and demand for almonds. This thesis aims to provide a scientific methodology for assessing the effect promotional expenditures have on influencing consumer attitudes and the demand for almonds.

This project was conducted with the sponsorship of the Almond Board of California (ABC), an organization supervised by the United States Department of Agriculture, responsible for promoting the consumption and increasing the market share of California produced almonds in domestic and international markets.

The primary objective of the project is to develop a methodology that links research, public relations, and advertising expenditures made by the ABC, to Attitude, Awareness, and Usage (AAU) measurements and eventually to almond shipping and pricing data. The ABC is required by legislation to conduct a return on investment (ROI) analysis every five years. In conducting this analysis, the organization is interested in developing a management tool that can indicate ROI, but can also be used to identify the portfolio of investments that will maximize AAU (attitudes, awareness, usage). This would allow the ABC to assess the relative impact of its investment portfolio (promotional expenditures) and use this information to make the necessary adjustments in order to improve its effectiveness.

**KEYWORDS:** Almond Board of California, ABC, Return on Investment Analysis, ROI Analysis, Attitude, Awareness and Usage, AAU, Consumer Attitudes

## **UPDATE OF THE NAVY CONTRACT WRITING GUIDE PHASE II**

**Joseph C. Espino-Lieutenant Commander, United States Navy**

**Master of Business Administration-June 2004**

**Chong Hunter-Lieutenant Commander, United States Navy**

**Master of Business Administration-December 2004**

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**Jeffrey R. Cuskey, Graduate School of Business and Public Policy**

The purpose of this MBA project is to provide a comprehensive update of the Navy Contract Writing Guide. The project was conducted with the sponsorship and assistance of the Office of the Assistant Secretary of the Navy for Research, Development, and Acquisition. The Guide was updated in December 2003 in an effort to provide organization and clear and concise solutions to current contract issues. Extensive research, incorporating interviews, websites, and regulations, was utilized in updating this Guide. It has been reorganized to better reflect actual contract writing and to address issues and solutions that were not previously addressed within the Guide. This Guide will provide a comprehensive instruction on contract writing with invaluable information relating to the most common contract issue, problem disbursements.

**KEYWORDS:** Contracting, DFAS, Navy Contract Writing Guide, Problem Disbursements, Contract Administration, Areas of Special Interest, Special Regulatory Clauses, Financial Issues

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# **MASTER OF BUSINESS ADMINISTRATION**

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## **IMPLEMENTING THE MISSION-FUNDED NAVAL SHIPYARD: A CASE STUDY ON CHANGE MANAGEMENT**

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This thesis seeks to determine how Naval shipyards could better implement mission funding after having worked extensively under a Working Capital Fund structure. Several principles exist in current management literature that can be applied to this funding source change at Naval shipyards. Of these principles, six recurring guidelines for successful change management and an organizational open-systems framework are used to provide guidelines for shipyard change managers.

The transition of the Puget Sound Naval Shipyard provided a case study for applying this managerial theory. The six guidelines of change management were found to have applications for the case study, revealing the need for a clear vision statement, a leadership core, communication on multiple levels, attention to change inertia, and rewards for change behavior during a transformation. Furthermore, six key factors for success at Puget Sound Naval Shipyard provided additional guidelines for future transitioning shipyards, promoting command-level attention to mission funding issues, making a commitment to best practices, developing a specific timetable of milestones, seeking alternative sources of funding, performing functional area assessments, and developing and employing desk procedures.

**KEYWORDS:** Mission Funding, Working Capital Funds, Naval Shipyards, Change Management, Organizational Theory

## **AN EXAMINATION OF THE UNITED STATES AIR FORCE PROPOSED LEASE OF REFUELING TANKERS**

**Daniel Lewis Furber-Major, United States Army  
Master of Business Administration-June 2004**

**Harry Jaeger-Lieutenant Commander, United States Navy  
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**Advisors: Joseph San Miguel, Graduate School of Business and Public Policy  
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This project analyzes the proposed United States Air Force “acquisition” of 100 KC-767A tankers to replace KC-135E Statotankers. The Air Force intended to use an operating lease to obtain the services of these KC-767As in a timely manner and begin recapitalization of the aging aerial refueling fleet. There are three major research questions driving this project. First, in terms of national security, mission, and readiness, is there an immediate need for the Air Force to replace the KC-135? Second, if there is a need to replace the KC-135, is the KC-767A the best aircraft to satisfy the Air Force’s long-term objectives? Finally, using the proposed lease of 100 aircraft, as the Air Force suggested, is leasing the best financial alternative to replace the KC-135? To answer these questions, an examination of the KC-135 history, history of the proposed lease, comparison of alternative aircraft and solutions, stakeholder analysis, comparison of operating and capital leases, cost analysis, acquisition process, and other issues are presented. The examination concludes that the Air Force’s proposed solution using the KC-767 aircraft and the operating lease method is not the best available.

**KEY WORDS:** KC-767, Tanker, Leasing, KC-135, KC-10, KC-X, Omega Air, Special Purpose Entity, Private Financing Initiative, Acquisition, Boeing, Refueling, Air Force

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# **MASTER OF BUSINESS ADMINISTRATION**

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## **CASE STUDIES IN GOVERNMENT PROCUREMENT FRAUD**

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**Advisors: Ron Tudor, Graduate School of Business and Public Policy  
Jeffrey R. Cuskey, Graduate School of Business and Public Policy**

The purpose of this research is to provide guidance that will increase awareness and facilitate class discussions on ethical situations that contracting officers are exposed to during their business relationships with contracting firms. The cases explore the specifics of individual incidents of ethical and procedural procurement violations. Additionally, this study provides conclusions and recommendations that could better educate prospective contracting officers on the temptations and legal ramifications of violations of procurement fraud within their commands.

**KEYWORDS:** Class Decisions, Contracting Officers, Contracting Firms, Procurement Fraud

## **PLANNING AND MANAGEMENT OF THE SURPLUS AMMUNITION DISPOSAL PROCESS IN THE BULGARIAN ARMED FORCES**

**Anri V. Georgiev-Lieutenant Colonel, Bulgarian Army  
Master of Business Administration-June 2004**

**Advisors: Raymond E. Franck, Graduate School of Business and Public Policy  
John T. Dillard, Graduate School of Business and Public Policy**

This project analyzes the surplus ammunition disposal process in the Bulgarian Armed Forces. This thesis explains how the system works and considers whether it could better serve national security needs. The end of the Cold War and the ensuing doctrinal changes led to a significant reduction in most European countries' armies. This led, in turn, to huge stockpiles of surplus ammunition, which pose threats to national security, to the environment, and to the defense budget. While some aspects of stockpile management and security do have political implications, the disposal process as a whole needs a detailed cost-benefit analysis. This project analyzes relevant data, takes existing constraints into consideration, and recommends possible technological and cost-reducing improvements.

**KEYWORDS:** Ammunition Disposal, Stockpile Management, Bulgarian Armed Forces, Utilization, Surplus Explosive Ordnance

## **NON-PRIOR SERVICE ACCESSIONS AND THE NAVAL RESERVE: READINESS AND RECRUITING**

**Alexandra I. Hobson-Lieutenant Commander, United States Naval Reserve  
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**Advisors: Stephen L. Mehay, Graduate School of Business and Public Policy  
Samuel E. Buttrey, Department of Operations Research**

This study examines the Reserve Non-Prior Service Accession (NPS) program, the effects of the current training process on Reserve readiness, and the effects of various proposals for extending the active duty training period. In particular, the thesis examines the effects of the extended training programs on recruiting, using data derived from a web-based survey of NPS Reservists. Multivariate logistic regression models are used to examine the effects of personal demographic characteristics on an individual's likelihood to enlist in the NPS program for a 28-day or 77-day active duty training period. Separate models are used for each program and include a model with the Delayed Entry Program (DEP) as an option, and a model without the DEP option. Respondents report that they would have been slightly less inclined to enlist under the 28-day options, whereas under the 77-day options, respondents indicated that they would have been much less inclined to enlist. A cost-effectiveness analysis is also conducted for both a 28-day and a 77-day training option. FY03 cost data is used to conduct the cost-effectiveness analysis, and indicates that the 28-day option would save an estimated \$2.8 million and decrease NPS personnel training time by five months. The 77-day option would cost an estimated additional \$46.1 million and decrease NPS personnel



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## **MASTER OF BUSINESS ADMINISTRATION**

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training time by 21 months. Based on the analysis of this thesis, it is recommended that the current NPS accession program be phased out and the 77-day with DEP training alternative be implemented. Additionally, the recruiting focus should be shifted to target high school seniors and recent graduates.

**KEYWORDS:** Non-prior Service, Naval Reserve, Accessions, Recruiting, Training

### **ISLAMIC PUBLIC INFRASTRUCTURE FINANCING: AN ANALYSIS OF ALTERNATIVE FINANCING INSTRUMENTS WITH APPLICATION IN DEVELOPING COUNTRIES**

**Saiful Islam-Civilian, Indonesian Ministry of Finance**

**Master of Business Administration-June 2004**

**Advisors: Robert McNab, Defense Resources Management Institute**

**Carmelita Troy, Graduate School of Business and Public Policy**

This thesis examines the structure of public infrastructure financing in Indonesia and whether financing based on Islamic principles is a feasible alternative to current financing mechanisms. The structure of public infrastructure investment can be determined by comparing the amount of public saving or domestic resources relative to foreign debt resources. Typically, public infrastructure investment flows consist of twenty to forty percent domestic investment and sixty to eighty percent foreign investment. This financing mixture, however, may lead to fiscal constraints when debt service occurs. If the investment funds are unproductive, then the infrastructure project may not generate sufficient revenue to offset debt service obligations. This problem is compounded in the presence of corruption, crime, and other forms of the absence of the rule of law. The funding constraint mitigates the dominant role of government and encourages private entities to provide and finance public infrastructure. Islamic project financing, through such vehicles as debt, hybrid, and equity instruments, may be able to respond to this challenge.

**KEYWORDS:** Public Infrastructure Financing, Islamic Finance

### **THE CURRENT STATUS OF THE UNITED STATES FOREIGN MILITARY SALES (FMS) PROGRAM**

**Najmuddin Jaafar-Lieutenant Colonel, Malaysian Army**

**Master of Business Administration-June 2004**

**Abdulmonem Alsabt R. Malallah-Major, Bahrain Defense Force**

**Master of Business Administration-June 2004**

**Mohamed A.R. Sharif-Major, Bahrain Defense Force**

**Master of Business Administration-June 2004**

**Advisors: John Mutty, Graduate School of Business and Public Policy**

**William Gates, Graduate School of Business and Public Policy**

This research examines the status of the United States (U.S.) Foreign Military Sales (FMS) program within the context of the current ever-changing domestic and global security environment. Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis was used to analyze: the information gathered from the literature review; the importance of various players (domestic and international competitors, interests groups, decision makers); and the general environment (global security and the economic environment that shape the National Security Strategy (NSS)). The study concludes that the U.S FMS program has evolved slowly because of the nature of the arms export business and the constraints imposed by the National Security Strategy. Recommendations for improving the FMS program are provided.

**KEYWORDS:** Foreign Military Sales Program, Direct Commercial Sales, National Security Strategy, Foreign Military Financing, Cold War, Warsaw Pact, Department of Defense, Department of States, Foreign Military Assistance, Gulf Wars, September 11 Incidents, Market Share, Decision Makers, Interest Groups, Major West European Suppliers Group, Security Environment, Recipients, Security Assistance

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# MASTER OF BUSINESS ADMINISTRATION

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## THE DEFINED BENEFIT PENSION PLAN SYSTEM: FINANCIAL PROBLEMS AND POLICY RESPONSES

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Master of Business Administration-June 2004

Advisor: Richard B. Doyle, Graduate School of Business and Public Policy

Second Reader: Ira Lewis, Graduate School of Business and Public Policy

The defined benefit (DB) pension system which provides retirement security to 44.5 million Americans faces significant challenges. At the end of 2003, the system was underfunded by \$350 billion, there were 82,696 fewer plans than during the system peak (in 1985), and the Pension Benefit Guaranty Corporation (PBGC) responsible for ensuring that retirees receive their retirement benefits even after a plan terminates reported a deficit of \$11.49 billion. This thesis examines the challenges facing the DB pension plan system, beginning with an overview of the DB plan system, a review of the different plan types, the benefits received, and funding rules. Next, the thesis examines the PBGC, its purpose, organization, and the role that it plays in the DB pension system. The thesis includes an identification of the challenges facing the pension plan system and corporate America's frustrations with the system. Finally, the thesis presents some recent reform proposals and provides corporate America's response to those proposals. A changing workforce demanding leaner retirement options, plans that allow multiple career changes, provide beneficiaries with lump sum benefits, provide early vesting characteristics, and are easily understood, is challenging the future of the DB plan system. To survive, the DB plan system must continue to change.

**KEYWORDS:** Private Pension, Defined Benefit Pension, Retirement Planning

## DETERMINANTS OF DEFENSE BUDGET PROCESSES IN POST-COMMUNIST POLAND: FROM THE WARSAW PACT TO THE 21<sup>ST</sup> CENTURY

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Master of Business Administration-June 2004

Advisor: Richard B. Doyle, Graduate School of Business and Public Policy

Second Reader: John Muttu, Graduate School of Business and Public Policy

This thesis identifies and explains the critical changes that have occurred in the complex system of interrelated rules which have governed the defense budget process in Poland since 1989. This research explains the legal and institutional evolution of the defense budget process in post-Communist Poland, focusing on the role of legislative authority, i.e., the Sejm and the Senat of the Republic of Poland, within the defense budget process since the collapse of the Warsaw Pact. It also analyzes the distribution of power among the different actors in the budget cycle. This is followed by a thorough description of rules imposed by the *Law on Restructuring, Technical Modernization and Financing of the Polish Armed Forces in the Years 2001-2006*, and the *Act of Equipping the Armed Forces of the Republic of Poland with Multi-Role Aircraft*. These two documents were instrumental in shaping defense spending in Poland in the years 2001-2003 and will have a great impact on future decisions concerning defense budgets in the years to come. An overview of defense spending by European members of NATO is also provided, to allow a comparison of Poland's willingness to commit resources to the common defense of other NATO members.

**KEYWORDS:** Sejm, Poland, Defense Budget Process, Senat of the Republic of Poland, Defense Spending, NATO, Warsaw Pact

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# **MASTER OF BUSINESS ADMINISTRATION**

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## **CONTINGENCY CONTRACTING GUIDE/LESSONS FOR NAVY CONTRACTING OFFICERS**

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The purpose of this research is to provide guidance by which future U.S. Navy Contingency Contracting Officers (CCOs) can effectively prepare for contingency operations. Additional research will provide guidelines for sustainment to support major contingencies. The research for this study was accomplished by reading literature on the subject of contingency contracting. Further research encompassed gathering information on lessons learned from past contingency contracting operations.

Contingency contracting issues provided in this research project include an examination of preparatory steps required by Navy CCOs prior to deployment. Also included are sustainment issues that could positively effect a contingency operation and funding requirements that should be understood while conducting contingency operations. Additionally, this study provides conclusions and recommendations that could enhance the effectiveness of future Navy CCOs in support of contingency operations.

**KEYWORDS:** Contingency, Contracting

## **FOREIGN MILITARY SALES PRICING PRINCIPLES FOR ELECTRONIC TECHNICAL MANUALS**

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The primary objective of this project is to determine accurate and justifiable pricing for the foreign military sale of electronic technical manuals under the guiding principles of DoD Instruction 7000.14-R. DoD Instruction 7000.14-R, paragraph 0716, prescribes the methods that will be used to determine the price of DoD publications when they are sold to foreign military sales (FMS) customers. The Instruction includes publication pricing factors that shall be included in the development of FMS prices for paper publications. When technical data was maintained and distributed primarily by paper form, pricing the product to recover the associated costs was a relatively reasonable and reliable process. With the transition from paper to electronic data encompassed in various media and arrangements, the costs associated with this migration will differ considerably. As electronic storage and presentation of digital data becomes more interactive with the Internet, the association between the existing practices and advanced products become more contradictory. The historical pricing procedures will no longer reflect the costs that need to be recovered. In this era of digital data and computerized integration, new technological advances have increased the demand and cost of services associated with digitization of paper documents. With the introduction of these new technologies, various fees associated with this transformation have to be incorporated into the pricing structure that currently exists. The problem that exists with the incorporation of these fees is the lack of long-term historical data due to the relative infancy of the goods and services linked to this technology.

**KEYWORDS:** Foreign Military Sales, Commercial Pricing, Software Cost Analysis, Work Breakdown Structure, Pricing Policy

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# **MASTER OF BUSINESS ADMINISTRATION**

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## **ASSESSMENT OF COSTS AND BENEFITS OF THE MILITARY HOUSING PRIVATIZATION IN SELECTED AREAS**

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The Military Housing Privatization Initiative (MHPI) represents a dramatic revision in the construction and maintenance of military housing. The Basic Allowance for Housing (BAH) initiative is also a long waited major step towards providing an adequate quantity and quality of living quarters for service members and their families. This MBA project compares MHPI to the other two family housing programs, such as military construction (MILCON) and BAH, and analyzes the interrelationship among them. This project studied the examples of the Presidio of Monterey/NPS and the Hickam AFB housing privatization projects in detail.

The research concludes that MHPI is a valuable and flexible tool for bridging the gap between existing housing needs and what the Government has been able to provide through traditional military construction. Since many long-term uncertainties exist regarding DoD's future housing needs and the resulting effect of the BAH initiative, this project recommends capitalizing on the strength of each housing tool (BAH, MHPI) through a more integrated approach to ensure that the military's housing needs are met as efficiently as possible. A better coordination on housing initiatives appear to be important, since housing allowances could rise in some areas, thereby making more local housing affordable to service members and lessening the need for renovation and construction. Greater adherence to a policy of coordination is needed if DoD is to avoid building or revitalizing more housing than is needed under both military construction and privatization programs.

**KEYWORDS:** Military Housing Privatization Initiative, Basic Allowance for Housing, Military Family Housing

## **PROSPECTS FOR IMPROVING THE RESOURCE ALLOCATION PROCESS FOR NATIONAL SECURITY IN JAMAICA: A COMPARATIVE STUDY**

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This thesis takes an in-depth look at the resource allocation process in Jamaica for the military. It comments on the trends observed over the period 1990-2003, and especially the declining purchasing power of the allocated funds when converted to US\$. The budgeting processes used for the military in Canada, the U.K., and the U.S. is also examined. The purpose of this thesis is to establish whether or not the resource allocation in Jamaica is adequate and needs to remain as is or if there is a need for it to be changed. The study finds that while all four nations enjoyed democratically elected leadership in-terms of government, they have different outlooks on the provision of resources for national security. The study further finds that where there is no clear difference between the executive arm of government and the legislative, resource allocation seems more controlled by the constraints model of problem solving. As such, it is not typically the imminent security problem that is funded, but rather funding is provided relative to the previous year's allocation. The understanding of best practices in the field of national security is important, since history shows that foreign trade, and hence economic prosperity, are more likely to be associated with nations that create secure environments. How much to allocate to defense and the consideration of all other viable alternatives is crucial. Stability is critical to the prosperity of countries with emerging economies, like Jamaica, and as such, only an inclusive approach by key elements in the society can best decide how much resources should be allocated for national security.

**KEYWORDS:** Jamaica, Budgeting, Resource Allocation, Decision Making

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# **MASTER OF BUSINESS ADMINISTRATION**

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## **ANALYSIS OF TRUST IN INTEGRATED PRODUCT TEAMS (IPT) IN THE MARINE CORPS ADVANCED AMPHIBIOUS ASSAULT VEHICLE (AAAV) PROGRAM**

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Few studies have focused on the analysis of trust within an IPT team where military and civilian subcultures coexist. The purpose of this MBA project is to provide an analysis of trust in the Advanced Amphibious Assault Vehicle (AAAV) program. The primary objectives of this project are to identify significant relationships between trust of military and civilian personnel and to identify relationships between geographic workplace setting and trust of military and civilian personnel. The ultimate goal for the study is to provide recommendations for increasing the trust level among team members, and in this way to enhance the acquisition process. Data are processed and analyzed using descriptive statistics, t-tests for differences in means before and after collocation and military versus civilian personnel, Pearson correlation coefficients, linear regression, and Chow's test.

The analysis reveals significant differences between trust of military personnel and civilian personnel before collocation. No significant differences in trust between military and civilian personnel after collocation are found.

Also, it is found that there is a difference between trust of military team members before and after collocation of the working teams.

The study results show that formal policies and procedures are a significant predictor of trust for military personnel before collocation, but not after collocation. Further research could focus on inspecting the relationships between trust of military personnel, formalism, and geographic workplace settings.

**KEYWORDS:** Trust, Advanced Amphibious Assault Vehicle Program, AAAV Program, Military or Civilian Backgrounds, Analysis of Trust

## **MARKETING PLAN FOR THE NAVAL POSTGRADUATE SCHOOL MASTER OF BUSINESS ADMINISTRATION TO THE NAVY UNRESTRICTED LINE COMMUNITY**

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The purpose of this Master of Business Administration (MBA) project is to develop a practical marketing plan to attract U.S. Navy Unrestricted Line (URL) officers to the resident Naval Postgraduate School Defense-focused MBA (NPS-MBA). The intent of this project is to create awareness in the Navy URL community about the benefits of the Defense-focused MBA and to build a brand name for NPS-MBA. The goal is to make the resident NPS-MBA the graduate business school product of choice. The authors believe that the MBA degree provides URL officers the business tools required to become successful managers in the modern Naval establishment.

The origin of this project was to conduct a present situation analysis of the NPS-MBA degree by determining its strengths, weaknesses, opportunities, and threats. It was noted that there is a decreasing number of URL officers in the NPS-MBA program since its inception in January 2002. Although graduate education is a strategic goal for Navy officers, this study finds that current URL career progression does not provide an adequate time for resident graduate education. In addition, a fleet survey conducted in a fleet concentrated area in San Diego, California, in March of 2004, revealed URL officers' awareness and

# **MASTER OF BUSINESS ADMINISTRATION**

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attitudes toward NPS-MBA. This information enables the authors to arrive at effective marketing strategies and recommendations.

**KEYWORDS:** Marketing Plan, MBA, MBA Professional Report, Marketing Plan for Defense-focused MBA, Marketing Plan to URL Community

## **ANALYSIS OF SEPARATION PAY OPTIONS**

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As the demand for and supply of skills in the Navy changes, the Navy needs the flexibility to shape the force as appropriate. This flexibility may include the need to reduce the number of personnel in some subspecialties. The question the Navy faces is how to shape the force in the most efficient means possible. This project analyzes the costs and benefits of various options for voluntarily separating members from the Navy. Drawing on recent market design research, it tests alternative force shaping policies and recommends a mechanism that can increase force shaping flexibility and efficiency.

**KEYWORDS:** Separation Pay, Drawdown, VSI, SSB, TERA